FDIC 75 YEARS

CONFIDENCE AND STABILITY

FDIC CELEBRATES

75 YEARS AS A PILLAR OF THE AMERICAN BANKING SYSTEM

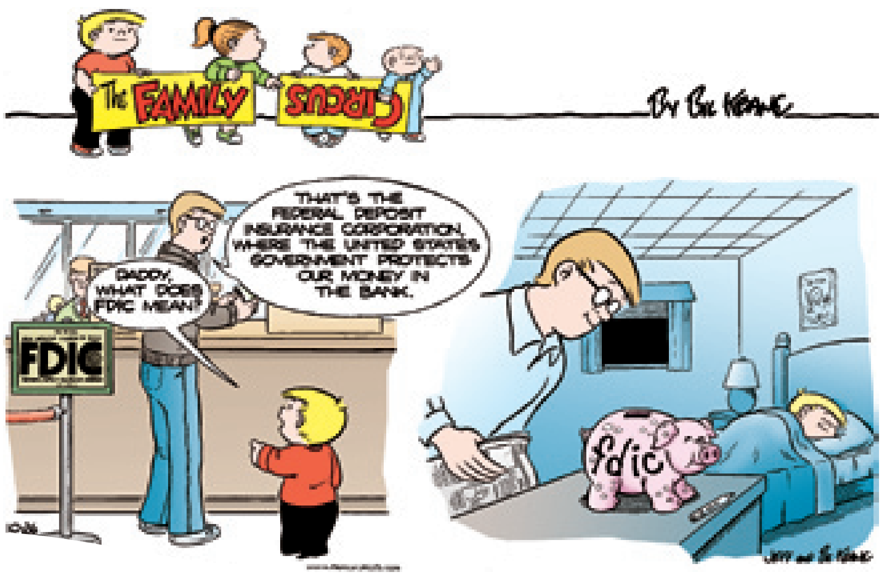
FEDERAL DEPOSIT INSURANCE CORPORATION 1933

FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

WHO IS THE FDIC?

The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure.



The FDIC receives no Congressional appropriations – it is instead funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. With an insurance fund totaling $17.3 billion, the FDIC insures a total of more than $4 trillion of deposits in U.S. banks and thrifts – deposits in virtually every bank and thrift in the country.

Savings, checking and other deposit accounts, when combined, are generally insured to $250,000 per depositor in each bank or thrift the FDIC insures. (On October 3, 2008, FDIC deposit insurance temporarily increased from $100,000 to $250,000 per depositor through December 31, 2009.) Deposits held in different categories of ownership – such as single or joint accounts –

may be separately insured. Also, the FDIC generally provides separate coverage for retirement accounts, such as individual retirement accounts (IRAs) and Keoghs, insured up to $250,000. The FDIC's *Electronic Deposit Insurance Estimator* can help consumers determine whether they have adequate deposit insurance for their accounts.

The FDIC insures deposits only. It does not insure securities, mutual funds or similar types of investments that banks and thrift institutions may offer. (*Insured and Uninsured Investments* distinguishes between what is and is not protected by FDIC insurance.)

In addition to providing deposit insurance, the FDIC directly examines and supervises about 5,098 banks and savings banks, more than half of the institutions in the U.S. banking system. Banks can be chartered either by any individual state or by the federal government. Banks chartered by states also have the choice of whether to join the Federal Reserve System. The FDIC is the primary federal regulator of state-chartered banks that are not members of the Federal Reserve System. The FDIC also serves as the back-up supervisor for the remaining insured banks and thrift institutions.

To protect insured depositors, the FDIC responds immediately when a bank or thrift institution fails. Institutions generally are closed by their chartering authority – the state regulator, the Office of the Comptroller of the Currency, or the Office of Thrift Supervision – which then in turn appoints the FDIC as receiver for the failed institution. The FDIC has several options for resolving institution failures, but the one most used is to sell deposits and loans of the failed institution to another institution. Customers of the failed institution automatically become customers of the assuming institution. Most of the time, the transition is seamless from the customer's point of view.

The FDIC employs about 5,034 people. It is headquartered in Washington, DC, but conducts much of its business in six regional offices and in field offices around the country.

The FDIC is managed by a five-person *Board of Directors*, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party.

75 YEARS OF QUALITY SERVICE

YEAR	CHAIRMAN
2006-CURRENT	SHEILA C. BAIR *75th Anniversary in 2008*
2005	MARTIN J. GRUENBERG *(Acting)*
2001-04	DONALD E. POWELL
1998-2000	DONNA TANOUE
1997	ANDREW C. HOVE, JR *(Acting)*
1994-96	RICKI HELFER
1992-93	ANDREW C. HOVE, JR *(Acting)*
1991	WILLIAM TAYLOR
1985-91	L. WILLIAM SEIDMAN
1981-84	WILLIAM M. ISAAC *50th Anniversary in 1983*
1978-80	IRVINE H. SPRAGUE
1977	GEORGE A. LEMAISTRE
1976	ROBERT E. BARNETT
1970-75	FRANK WILLE
1964-69	K. A. RANDALL
1963	JOSEPH W. BARR
1960-62	ERLE COCKE, SR.
1957-59	JESSE P. WOLCOTT *25th Anniversary In 1958*
1952-56	H.E. COOK
1945-51	MAPLE T. HARL
1934-44	LEO T. CROWLEY
1933-34	WALTER J. CUMMINGS *Congress created FDIC in 1933*

On June 16, 1933, at the height of the Great Depression and with more than 4,000 bank failures already that year, President Franklin Delano Roosevelt signs the Banking Act of 1933 establishing the Federal Deposit Insurance Corporation as a temporary agency to raise the confidence of the U.S. public in the banking system. ★ FDIC deposit insurance goes into effect on January 1, 1934. The deposit insurance level is $2,500. Only nine banks failed during the first year that the FDIC begins insuring banks. ★ On July 1, 1934, FDIC deposit insurance coverage is increased to $5,000. ★ The Banking Act of 1935 provides for permanent deposit insurance and maintains it at the $5,000 level. ★ In 1950, deposit insurance coverage increases to $10,000. ★ 1962 marks the first full year with no bank failure since the FDIC's creation – a milestone not repeated again until 2005 and 2006. ★ The deposit insurance limit jumps to $15,000 in 1966; to $20,000 in 1969; to $40,000 in 1974; and to $100,000 in 1980. ★ Congress passes the Depository Institutions Deregulation and Monetary Control Act of 1980 – the most sweeping banking reform package enacted since the Banking Act of 1933. ★ Forty-eight insured banks, with $7 billion in assets, failed in 1983. After 50 years, the FDIC still takes in more bank premiums than it loses through failures. ★ In 1984, the FDIC – for the first time – spends more on resolving failures than it receives in premiums, with 80 insured bank failures that year. ★ In 1988, 280 insured institutions failed – the largest number in the history of the FDIC. Over half of the banks are in Texas. ★ President George H. Bush signs the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. This act is the beginning of statutory attempts to re-regulate the banking and saving and loans industries. ★ The Federal Deposit Insurance Corporation Improvement Act of 1991

(FDICIA) gives the FDIC the authority to borrow $30 billion from the Treasury to help replenish the Bank Insurance Fund. It also requires the FDIC to apply risk-based premiums by January 1, 1994, and to close banks in the least-costly manner to the insurance fund. ★ The Riegle-Neal Interstate Banking and Branching Act of 1994 permits bank holding companies to acquire banks in any state, interstate branching among banks, and foreign banks to branch to the same extent as U.S. banks. ★ The Gramm-Leach-Bliley Act of 1999 repeals the last provision of the Glass-Steagall Act of 1933 – which separated commercial and investment banking. ★ June 25, 2004, to February 2, 2007, marks the longest period in the FDIC's history without a single bank failure. ★ On February 8, 2006, President George W. Bush signs the Federal Deposit Insurance Reform Act of 2005 into law, providing for – among other things – an increase in insurance coverage to $250,000 for certain retirement accounts. ★ The FDIC launches its 75th Anniversary celebration on June 16, 2008 – exactly three-quarters of a century after it was created. ★ On October 5, 2008, the FDIC implemented the temporary increase in the Standard Maximum Deposit Insurance Amount from $100,000 to $250,000. This increase is in effect until the end of 2009. ★ On October 13, 2008, the FDIC adopted the Temporary Liquidity Guarantee Program due to disruptions in the credit market, particularly the interbank lending market, which reduced banks' liquidity and impaired their ability to lend. ★ During 2008, 25 FDIC-insured institutions failed. This was the largest number of failures since 1993 when 41 institutions failed. The 2008 total includes IndyMac Bank, FSB, Pasadena, CA, which was the fourth largest failure in the FDIC's history and Washington Mutual Bank, Henderson, NV, which was the largest single failure in FDIC history.

The year 2008 marks the 75th anniversary of the FDIC. For 75 years, deposit insurance has given consumers peace of mind that their insured money is safe. No depositor has ever lost a penny of insured funds at an FDIC-insured institution. FDIC has been and continues to be the pillar of the American Banking System.

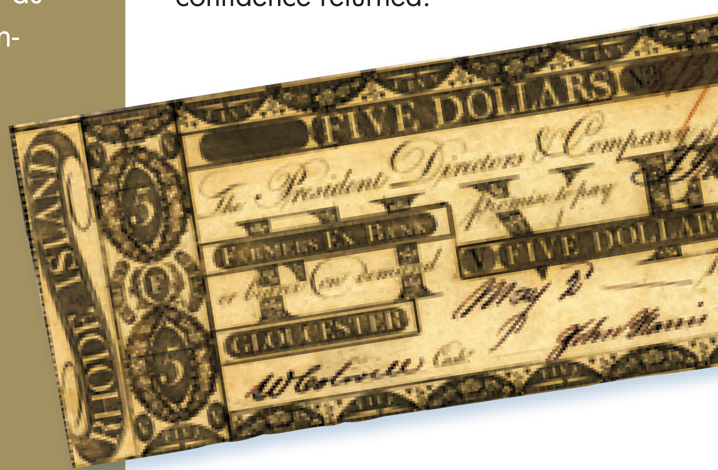
To celebrate its 75th anniversary and to demonstrate ongoing commitment to consumers, Chairman Bair launched the *Face Your Finances* road show. The initiative was announced on June 16, 2008, at the anniversary launch in Washington, DC. Chairman Bair traveled to Chicago, San Francisco, Dallas, New York City, and Kansas City, Missouri. In each city, Chairman Bair met with community leaders to discuss deposit insurance, what it means to be an FDIC-insured institution, the costs and benefits of banking services, and the consumer protections resulting from federal regulation of the banking industry. Panel discussions were held, addressing bank services as they relate to building assets and accessing mainstream credit services, including mortgage loans. The discussions were intended to elicit information that can be used in financial literacy initiatives and informational materials.

Additionally, the FDIC has on display at its headquarters location, an exhibit that shows FDIC's history and explores how the FDIC and the banking industry have changed over time. The photographs, charts, cartoons, maps and other images presented will take visitors from inception through the banking and savings and loan crisis to a typical week in the life of the FDIC today. An audio-visual portion of the exhibit offers excerpts from President Franklin D. Roosevelt's first fireside chat addressing the 1933 banking crisis, as well as film clips on the creation of the agency and more. Following are excerpts from the exhibit.

Background and Creation

The first bank failure in U.S. history occurred in 1809, and many more would follow.

For about the next hundred years, the country's recurring financial crises were often accompanied by bank failures. Fourteen states responded by creating bank obligation/deposit insurance systems (none survived beyond 1930). Not until the tremendous dislocation of the Great Depression, though, was federal deposit insurance enacted. Its value became apparent immediately: the number of bank failures declined sharply, and depositor confidence returned.



(Above) This note was issued by the Farmer's Exchange Bank of Gloucester, Rhode Island, in 1808; the following year, Farmer's Exchange became the first bank in the U.S. to fail.

(Right) On August 5, 1931, depositors congregated outside the closed American Union Bank at 37th Street and 8th Avenue in New York City.
Courtesy of Corbis Images

Creation of the FDIC

The Banking Act of 1933 created the FDIC as a temporary agency. Despite Roosevelt's reservations about deposit insurance, popular support for it was so strong that he signed the Act into law. In January 1934, the FDIC began insuring deposits, covering them up to $2,500. The FDIC also became the federal regulator of state non-member banks*, the receiver for failed national banks, and—with state authorization—the receiver for failed state banks.

*State-chartered banks that were not members of the Federal Reserve System.

IN THE BEGINNING

(Top) On June 16, 1933, President Roosevelt signed the act that created the FDIC. He was surrounded by congressional leaders, including Senator Carter Glass and Representative Henry Steagall, both of whom lent their names to the law.

(Right) The first official emblem of the FDIC, and a new symbol of confidence for depositors.

You have accomplished in these few months with complete success a gigantic task which the pessimists said could not possibly be done before Jan. 1. That 97 per cent of the bank depositors of the nation are insured will give renewed faith...

—FDR in a letter to FDIC Chairman Cummings, dated January 1, 1934

7,785

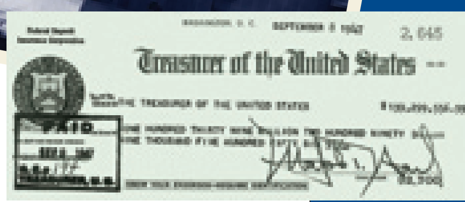
NUMBER OF STATE BANKS EXAMINED UNDER FDIC AUSPICES DURING THE LAST THREE MONTHS OF 1933 TO ENSURE THAT THEY COULD APPLY FOR DEPOSIT INSURANCE.

NUMBER OF FDIC EMPLOYEES AT YEAR-END 1970.

2,508

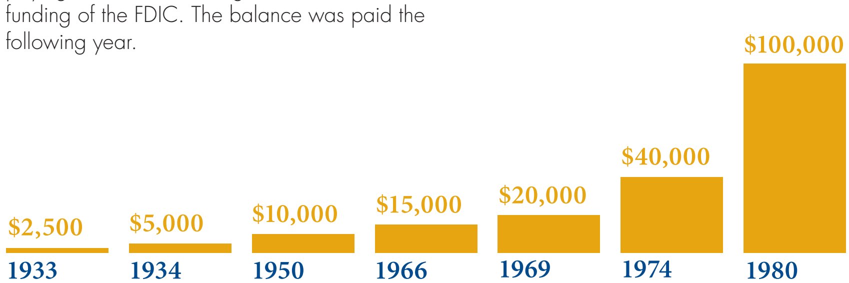
Prosperity and Growth

During the period c.1945-1970, the banking industry was highly regulated, with tight restrictions on interest rates and on products and services. Few banks failed, so the FDIC faced few challenges as a deposit insurer. In fact, by 1950 the insurance fund had become large enough ($1.2 billion) for the FDIC to begin giving rebates to banks on their deposit insurance assessments.


Treasurer of the United States
PAID

REPAYING THE TREASURY

(Right) In September 1947, FDIC Chairman Maple Harl (right) presented a check for $139 million to a representative of the Treasury Department, repaying almost half of the government's initial funding of the FDIC. The balance was paid the following year.



INCREASED PROTECTION

Congress increased FDIC insurance coverage levels six times between 1934 and 1980.

The Savings and Loan Industry

Savings and loan associations (S&Ls), or thrifts, were depository institutions that made home mortgage loans at relatively low fixed rates. Starting in 1934, they were insured by the Federal Savings and Loan Insurance Corporation (FSLIC). The S&L industry grew rapidly during this period and very few institutions failed.

The Banking Crisis

The banking crisis of the 1980s and 1990s was the greatest challenge the FDIC had ever faced. The crisis had four main causes. Boom-and-bust economic activity occurred in certain regions and economic sectors. Legal restrictions on branching made banks more vulnerable to regional and sectoral recessions. Many banks exhibited weak risk management. And inappropriate government policies, such as less-frequent bank examinations, also played a role.

Consequences of Failure

(Left) Oklahoma's Penn Square Bank speculated heavily in oil and gas lending. The construction of its new headquarters was halted by the bank's failure in 1982.

Image courtesy of the Oklahoma Historical Society

Agriculture

A 1970s boom in farm commodity prices and farm real estate values was followed by a downturn in the early 1980s. Many banks that concentrated in agricultural lending failed.

Energy

Soaring oil prices in the 1970s and early 1980s generated a boom in the Southwest. When energy prices dropped sharply, the region's economy was devastated and many banks failed.

Real Estate

Both the Northeast and California had booming economies in the 1980s. But aggressive real estate lending led to overbuilding and inflated prices. When recessions struck in the early 1990s, banks in both regions failed.

The S&L Crisis

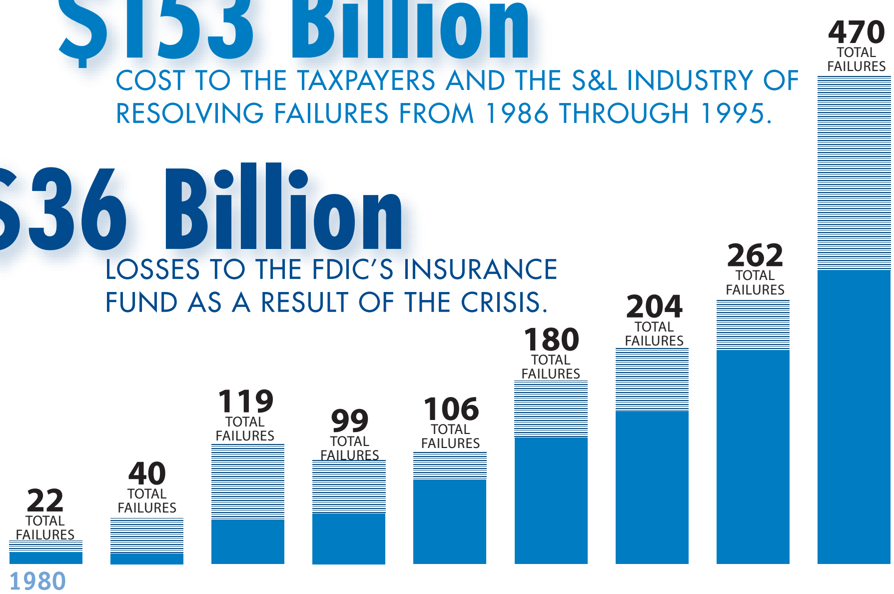
Deregulation let S&Ls enter new fields where they had little expertise. In addition, capital standards were lax and supervision inadequate. Given government policy and the FSLIC's lack of resources, many institutions that should have been closed stayed open. By 1986, the industry was clearly in crisis—672 S&Ls and the FSLIC itself were insolvent.

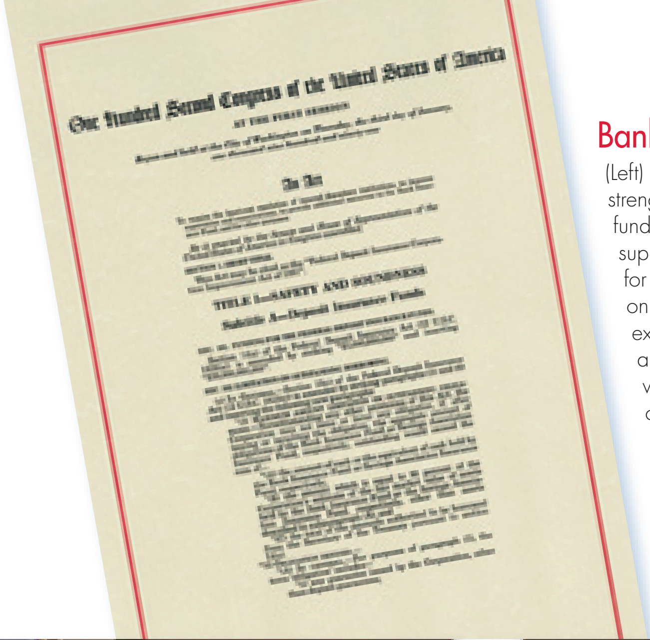
$153 Billion

COST TO THE TAXPAYERS AND THE S&L INDUSTRY OF RESOLVING FAILURES FROM 1986 THROUGH 1995.

$36 Billion

LOSSES TO THE FDIC'S INSURANCE FUND AS A RESULT OF THE CRISIS.





Banking REFORM

(Left) In 1991, a new law strengthened the insurance funds and increased regulatory supervision. Its provisions called for insurance premiums based on risk and annual on-site examinations of most banks and thrifts. Regulators also were required to take "prompt corrective action" against weakening institutions and to close critically undercapitalized institutions at the least cost to the FDIC.

Image courtesy of the National Archives

Crisis and Resolution

From 1980 through 1994, a total of 1,618 banks failed. The FDIC handled these failures without the public losing confidence in the banking system and without the need for taxpayer funding. By the early 1990s, favorable interest rates and economic conditions helped the industry rebound and enter a period of unparalleled growth and profitability.

On August 9, 1989, President George H.W. Bush signed the Financial Institutions Reform, Recovery, and Enforcement Act.

Image courtesy of the George Bush Presidential Library and Museum

S&L Reform

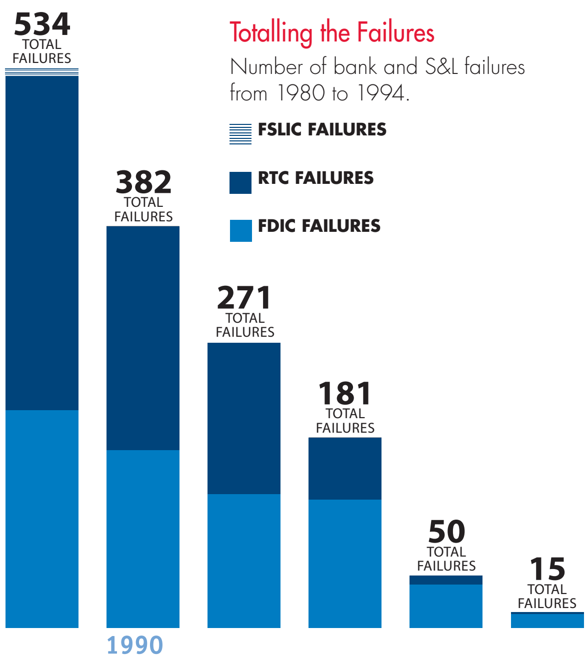
In 1989, a new law reformed the S&L industry, imposing stricter capital requirements and limiting investment and lending activities. The industry's regulatory structure was overhauled. The FSLIC was abolished, and the FDIC became the federal deposit insurer of thrifts. S&Ls received a new federal regulator, the Office of Thrift Supervision, and the Resolution Trust Corporation (RTC) was created to dispose of the assets of failed thrifts.

Resolving the S&L Crisis

The RTC, operating from 1989 to 1995, resolved 747 failed thrifts with assets of about $450 billion, successfully ending the thrift crisis. FDIC personnel and expertise were essential to the creation and operation of the RTC, and the FDIC managed the RTC during its first two years.

Totalling the Failures

Number of bank and S&L failures from 1980 to 1994.



22,586

(Above) Number of FDIC and RTC employees at year-end 1991.

The FDIC Today

Events continue to highlight the importance of the FDIC.

In the decade following the crisis of the 1980s and early 1990s, the business of banking became more profitable but also more complex. The industry consolidation that began in the 1980s accelerated. Big financial institutions got bigger. Simultaneously, however, community banks found ways to thrive and prosper.

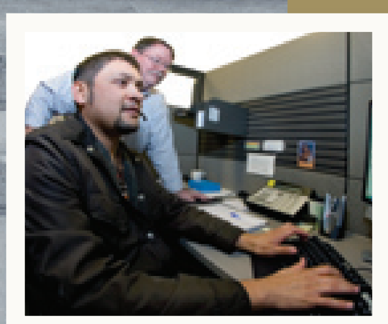
The following panels will cover recent FDIC history and describe how we serve the American people today.

A Week in the Life of the FDIC

Identifying risks and promoting stability have been hallmarks of the FDIC's mission for 75 years. But the FDIC's job doesn't end there. Here is a behind-the-scenes look at a typical "Week in the Life of the FDIC."

Managing the Deposit Insurance Fund

The FDIC manages the deposit insurance fund, which is supported by risk-based premiums paid by insured banks and thrifts. On an ongoing basis, FDIC staff work to set appropriate deposit insurance premiums and to structure the deposit insurance fund's portfolio of Treasury securities.



RESPONDING TO QUESTIONS

The FDIC typically responds to more than 5,000 inquiries each week from consumers and financial professionals about deposit insurance coverage. The FDIC's Web site, which contains extensive information on deposit insurance, consumer protection, and banking, is used by the public more than 500,000 times a week.

EXAMINING AND SUPERVISING BANKS

FDIC staff conduct off-site monitoring and on-site examinations to assess risk and promote prudent banking practices. Examinations identify whether banks operate in a safe and sound manner and comply with consumer protection laws. During any given week, the FDIC may be examining more than 200 banks.

Promoting Local Lending

The FDIC encourages banks to make mortgages and other loans in low- and moderate-income neighborhoods. One strategy involves conducting about 10 outreach meetings weekly with bankers and community representatives.

4,532

NUMBER OF FDIC EMPLOYEES AT YEAR-END 2007.

Unusual Holdings

When a bank fails, the FDIC often winds up acquiring some of the institution's assets. Through the years, the FDIC has temporarily owned some highly unusual businesses and properties, typically the result of bad loans or investments made by the failed banks. Take a look at some of our oddest acquisitions.

Dallas Cowboys

The FDIC owned 12 percent of the team during the 1988 and 1989 seasons, after FirstRepublic Corporation of Dallas failed in 1988.

Citrus and Almond Tree Farms

Assets acquired by the FDIC often require significant upkeep. For example, FDIC asset managers had to purchase machinery to protect our citrus crops from freezing weather and bought beehives for pollination of our almond trees.

Taxicabs

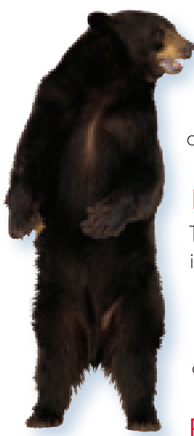
The FDIC owned fleets in California, Arizona, and New York.

Ghosts and Ghouls

The FDIC acquired a house in Salem, Massachusetts, that was reputedly haunted by the ghosts of the men and women who were sent to their deaths more than 300 years ago by the previous landowner, the town sheriff. The property was acquired from the Bank of New England, which failed in 1991.

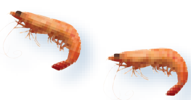
Abracadabra

The RTC acquired the Mulholland Library of Conjuring and the Allied Arts from the failed First Network Savings in 1990. Magician David Copperfield made it disappear from the RTC's asset portfolio by purchasing it for $2.2 million. The collection included letters written by Harry Houdini and books dating back to the 16th century.



Grizzly 2: The Predator

The FDIC acquired this B-grade horror picture, filmed in 1983 with budding stars Charlie Sheen and George Clooney. The movie is about a grizzly bear that attacks patrons at a rock concert in a national park.



From Oil Tankers to Shrimp Boats

Throughout the years, the FDIC has had interests in oil tankers, shrimp boats, and tuna boats, and consequently experienced many of the pitfalls facing the maritime industry. In one case, an oil tanker ran aground. In another, a shrimp boat was blown onto the main street of Aransas Pass, Texas, by a hurricane.

Race Horses

The FDIC temporarily owned more than 100 race horses and breeding horses, most of which had been collateral for loans made by the failed Penn Square Bank in Oklahoma.

Las Vegas Casinos

In 1993, the FDIC acquired the voting rights to a controlling share of the stock in companies that owned casinos, including the Maxim and the Dunes in Las Vegas.